

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL NINE)

Docket No. RM2015-18

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL NINE)
(August 5, 2015)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, submitted in response to numbered paragraph 7 on page 63 of Order No. 2472 (Docket No. R2015-4 May 7, 2015), relates to bottom-up costs for new Periodicals Carrier Route bundle and container entry options, is labeled Proposal Nine, and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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PROPOSED CHANGES IN PERIODICAL FLATS COST MODEL TO ESTIMATE MAIL PROCESSING COST AVOIDANCES FOR CARRIER ROUTE PIECES ON CARRIER ROUTES PALLETS

OBJECTIVE:

This proposal seeks to explain the changes in the Periodicals model mail processing cost estimates to explicitly identify the bottom-up costs of processing Carrier Route Pallets.

BACKGROUND:

On page 63 of Order No. 2472 (May 7, 2015), the Commission directed the Postal Service to "... file a proposed methodology for determining the bottom-up costs for the new Periodicals Mail Carrier Route bundle and container entry options, as described in the body of this Order, within 90 days of the date of this Order." This proposal is responsive to that request.

PROPOSAL:

When a mailing has the density to prepare 5-Digit or 5-Digit Scheme pallets – 250 pounds of mail to a 5-Digit or 5-Digit scheme – the mail on the pallet is nearly entirely presorted in carrier route bundles. In FY 2014, according to the mail.dat files for Periodicals, only one-half of one percent of the mail on such pallets was prepared in 5-Digit bundles. The 5-Digit mail that appears on these pallets is generally residual, containing pieces for the few routes with insufficient density to qualify for Carrier Route rates. For this reason CRTS pallets (5-Digit or 5-Digit Scheme pallets containing nothing but Carrier Route bundles) and all other 5-Digit/5-Digit Scheme pallets are

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processed identically -- they are cross-docked to the delivery unit where the bundles are distributed to carriers.

The rate for Carrier Route pallets was designed to both encourage CRTS pallet preparation and encourage mailers to move any residual 5-Digit bundles to containers that would be distributed in the plant, thus enabling AFSM 100 processing of residual 5-Digit pieces rather than manual processing at the delivery unit.

Because there is no difference in the processing of CRTS pallets and other 5-Digit pallets, there is no need to change the methodology used to produce estimates of avoided costs. However, for clarity, the model presentation (in USPS-FY14-11) has been changed to explicitly identify the costs.

MODIFICATIONS RESULTING FROM ORDER NO. 2472

Compliance with Order No. 2472 necessitated the derivation of two parameters applicable to the Periodicals mail processing model. Specifically Modifications 1 and 9 described in Section One of Proposal Seven (Docket No. RM2015-16), filed on August 5, 2015, are applicable to the Periodicals model. These two modifications are incorporated in the Periodicals models filed with this proposal. The results can be seen in the Excel file attached to this Petition electronically.